

DEPARTMENT OF LABOR AND INDUSTRY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



AUDIT SUMMARY

Our audit of the Department of Labor and Industry for the year ended June 30, 2005, found:

- revenues and expenses are properly reported in the Commonwealth Accounting and Reporting System;
- compliance with significant laws and regulations; and
- management has established and maintained internal controls over the revenues and expenditures tested.

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AGENCY HIGHLIGHTS

The Department of Labor and Industry administers and enforces federal and state occupational safety and health laws and state labor laws to protect Virginia's workplaces through the following programs:

Virginia Occupational Safety and Health (VOSH) Programs

- *Occupational Safety and Health Compliance (VOSH Enforcement)* - ensures that employers comply with Virginia's regulations through worksite inspections and citation, compliance assistance, and response to reports of unsafe conditions. Businesses with exemplary safety and health programs can receive an exemption from periodic inspections under the Virginia Voluntary Protection Program. VOSH Enforcement also issues permits for lead and asbestos removal projects and administers laws affecting the discharge of these substances.
- *Occupational Safety and Health Consultation* - helps employers better understand safety and health regulations through walk-through surveys, abatement advice, and safety and health training program development assistance. The program allows employers to make corrections to potential hazards or violations voluntarily and without citations or penalties. Departmental staff also trains employers to identify and correct hazards.

Boiler and Pressure Vessel Safety Program - certifies and oversees private inspections for boilers and pressure vessels in workplaces, apartments, and all other establishments open to the public. They also oversee their installation, operation, and repair.

Labor and Employment Law Program - works with employers to ensure a person's right to work, payment of wages, and compliance with other labor laws, such as minimum wage and child labor laws, through workplace inspections and complaint investigation. The Department also mediates labor disputes and assists in civil or criminal court actions against employers to gain compliance.

Registered Apprenticeship Program - helps employers expand their workforce through a combination of on-the-job training and related classroom instruction. There are approximately 2,000 Virginia businesses participating in this program, which serves over 12,000 apprentices.

FINANCIAL HIGHLIGHTS

The Department received approximately \$12.1 million in actual funding in fiscal year 2005. Table 1 presents the Department's original and adjusted budget, as well as their actual funding collections for fiscal year 2005. General and federal trust funds make up the majority (92.5 percent) of the Department's funding.

Table 1

Analysis of Budgeted and Actual Funding - Fiscal Year 2005

<u>Fund Type</u>	<u>Original</u>	<u>Adjusted</u>	<u>Actual</u>
General	\$ 6,745,668	\$ 6,918,795	\$ 6,918,795
Special revenue	951,690	951,690	903,054
Federal trust	<u>4,294,330</u>	<u>4,294,330</u>	<u>4,307,152</u>
 Total	 <u>\$11,991,688</u>	 <u>\$12,164,815</u>	 <u>\$12,129,001</u>

Source: Commonwealth Accounting and Reporting System;
2005 Original Budget-Appropriation Act, Chapter 951

Table 2 details the Department's actual expenses by program. In fiscal year 2005, personal services accounted for the majority of the Department's expenditures at nearly 77 percent. Contractual services, at almost nine percent, was the Department's second largest expense. Contractual services includes expenditures for communication services, employee development services, health services, management and informational services, repair and maintenance services, support services, technical services, and transportation services.

Table 2

Expenses by Activity - Fiscal Year 2005

<u>Activity</u>	<u>Expenses</u>	<u>Percent</u>
Personal services	\$ 9,275,895	76.7%
Contractual services	1,061,970	8.8%
Continuous charges	828,125	6.9%
Transfer payments	559,172	4.6%
Equipment	215,172	1.8%
Supplies and materials	<u>145,978</u>	<u>1.2%</u>
 Total	 <u>\$12,086,312</u>	 <u>100.0%</u>

Source: Commonwealth Accounting and Reporting System

Five programs drive the Department's organization and activities: Regulation of Individual Safety, Administrative and Support Services, Industrial Development Services, Regulation of Business Practices, Regulation of Individual Safety, and Regulation of Structure Safety. Table 3 details the Department's actual expenses by program. The Department spent approximately \$12.1 million on its programs during fiscal year 2005. Two programs, Regulation of Individual Safety and Administrative and Support Services accounted for approximately 83 percent of the Department's expenditures.

Table 3

Analysis of Budget to Actual Expenses by Program - Fiscal Year 2005

<u>Program</u>	<u>Expenses</u>	<u>Percent</u>
Regulation of Individual Safety	\$6,432,071	53.2%
Administrative and Support Services	3,588,559	29.7%
Industrial Development Services	800,256	6.6%
Regulation of Business Practices	788,944	6.5%
Regulation of Structure Safety	<u>476,482</u>	<u>3.9%</u>
Total	<u>\$12,086,312</u>	<u>100.0%</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

April 25, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have completed an audit of the **Department of Labor and Industry** for the year ended June 30, 2005. We conducted our overall review in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Expenses, including payroll

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed.

Management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws, regulations, contracts, and grant agreements. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department of Labor and Industry properly stated, in all material respects, the revenues and expenses recorded in the Commonwealth Accounting and Reporting System. We noted no matters involving internal control and its operation that we considered necessary to bring to management's attention. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management on April 25, 2006.

AUDITOR OF PUBLIC ACCOUNTS

DEPARTMENT OF LABOR AND INDUSTRY

As of June 30, 2005

C. Ray Davenport
Commissioner

Edward A. Hegamyer
Assistant Commissioner

Nancy Kite
Acting Finance Officer